J. PAUL JONES HOSPITAL BOARD

CAMDEN, ALABAMA

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended September 30, 2020 and 2019

Draffin Tucker

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
J. Paul Jones Hospital Board
Camden, Alabama

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities, J. Paul Jones Hospital Board (Board) as of and for the years ended September 30, 2020 and 2019, and the discretely presented component unit, Wilcox Community Health Foundation, Inc., as of and for the years ended December 31, 2020 and 2019, and the related notes to the consolidated financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Continued

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities as of September 30, 2020 and 2019 and the discretely presented component unit of J. Paul Jones Hospital Board as of December 31, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Pension Contributions on pages 39 and 40 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with the sufficient evidence to express an opinion or provide any assurance.

Consolidating Information

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Board's basic financial statements. The accompanying consolidating information, as listed in the table of contents, is presented for purposes of additional analysis of the consolidated financial statements rather than to present financial position and results of operations of the individual companies, and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual companies. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

Continued

accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

DRAFFIN + TUCKER, LLP

Albany, Georgia
November 2, 2021

J. PAUL JONES HOSPITAL BOARD

Consolidated Balance Sheets
as of September 30, 2020 and 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents	$ 4,098,411	$ 233,913
Patient accounts receivable, net of estimated uncollectibles of $2,758,000 in 2020 and $3,232,000 in 2019	501,451	466,254
Estimated third-party payor settlements	132,765	41,877
Supplies	88,263	84,025
Other current assets	440,334	458,395
Total current assets	5,261,224	1,284,464
Noncurrent cash:		
Restricted for capital projects	222,619	-
Capital assets:		
Non-depreciable	64,695	31,425
Depreciable, net of accumulated depreciation	1,357,884	1,334,824
Total capital assets, net of accumulated depreciation	1,422,579	1,366,249
Deferred outflows of resources:		
Deferred pension outflows	242,744	204,644
Total assets and deferred outflows of resources	$ 7,149,166	$ 2,855,357

Continued

	2020	2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	$ 156,106	$ 116,930
Current maturities of Paycheck Protection Program loans	68,290	-
Accounts payable	185,569	66,919
Accrued expenses	515,055	372,523
CARES Act unearned revenue	1,288,680	-
Current portion of Medicare advance payments	141,454	-
Total current liabilities	2,355,154	556,372
Long-term liabilities:		
Long-term debt and capital lease obligations, excluding current maturities	198,143	189,761
Paycheck Protection Program loans, excluding current maturities	456,125	-
Medicare advance payments, net of current portion	424,362	-
Net pension liability	133,895	28,674
Total long-term liabilities	1,212,525	218,435
Total liabilities	3,567,679	774,807
Deferred inflows of resources:		
Deferred property tax revenue	402,720	402,721
Deferred pension inflows	476,282	633,677
Total deferred inflows of resources	879,002	1,036,398
Total liabilities and deferred inflows of resources	4,446,681	1,811,205
Net position:		
Net investment in capital assets	1,229,570	1,233,024
Restricted:		
Expendable - capital projects	222,619	-
Unrestricted	1,250,296	(188,872)
Total net position	2,702,485	1,044,152
Total liabilities, deferred inflows of resources and net position	$ 7,149,166	$ 2,855,357

The accompanying notes are integral parts of these financial statements.

J. PAUL JONES HOSPITAL BOARD

Balance Sheets - Discretely Presented Component Unit
as of December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash	$ 79,254	$ 79,717
Total assets	$ 79,254	$ 79,717
LIABILITIES AND NET ASSETS		
Net assets:		
Without donor restrictions	$ 79,254	$ 79,717
Total liabilities and net assets	$ 79,254	$ 79,717

The accompanying notes are integral parts of these financial statements.

J. PAUL JONES HOSPITAL BOARD

Consolidated Statements of Revenues, Expenses and Changes in Net Position
for the years ended September 30, 2020 and 2019

	2020	2019
Operating revenues:		
Net patient service revenue (net of provision for bad debts of $922,000 in 2020 and $1,180,000 in 2019)	$ 4,298,919	$ 4,186,960
Other revenue	603,202	233,231
Total operating revenues	4,902,121	4,420,191
Operating expenses:		
Salaries and wages	2,601,032	2,518,492
Employee benefits	328,537	281,931
Purchased services	1,234,571	1,040,007
Supplies	439,963	346,044
Depreciation and amortization	202,311	191,666
Other expenses	997,158	727,891
Total operating expenses	5,803,572	5,106,031
Operating loss	(901,451)	(685,840)
Nonoperating revenues (expenses):		
Noncapital grants and contributions	50	86,910
Tax revenues	1,125,412	985,464
Loss on disposal of capital assets	(1,243)	-
Other nonoperating revenues	43,990	79,520
CARES Act funding	1,183,418	-
Interest expense	(14,462)	(14,186)
Total nonoperating revenues	2,337,165	1,137,708
Excess of revenues over expenses	1,435,714	451,868
Capital contributions	222,619	-
Increase in net position	1,658,333	451,868
Net position, beginning of year	1,044,152	592,284
Net position, end of year	$ 2,702,485	$ 1,044,152

The accompanying notes are integral parts of these financial statements.

J. PAUL JONES HOSPITAL BOARD

Statements of Activities - Discretely Presented Component Unit
for the years ended December 31, 2020 and 2019

	2020	2019
Revenues:		
Contributions	$ 86,064	$ 88,664
Total revenues	86,064	88,664
Expenses:		
Program services:		
Contributions to J. Paul Jones Hospital	85,000	11,000
Supporting activities:		
Administrative	1,527	-
Total expenses	86,527	11,000
Increase (decrease) in net assets	(463)	77,664
Net assets, beginning of year	79,717	2,053
Net assets, end of year	$ 79,254	$ 79,717

The accompanying notes are integral parts of these financial statements.

J. PAUL JONES HOSPITAL BOARD

Consolidated Statements of Cash Flows
for the years ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 4,172,834	$ 4,029,546
Receipts from Medicare advance payments	565,816	-
Payments to suppliers and contractors	(2,143,908)	(2,236,087)
Payments to employees	(3,099,929)	(2,756,250)
Other receipts	636,516	233,231
Net cash provided (used) by operating activities	131,329	(729,560)
Cash flows from noncapital financing activities:		
Local sales tax revenues	1,102,864	929,875
Noncapital grants and contributions	44,040	166,430
Proceeds from issuance of line-of-credit	-	100,000
Principal paid on line-of-credit	-	(100,000)
Proceeds from issuance of long-term debt	524,415	5,799
Principal paid on long-term debt	(12,230)	(13,477)
Interest paid on long-term debt	(14,651)	(14,186)
CARES Act funding	2,472,098	-
Net cash provided by noncapital financing activities	4,116,536	1,074,441
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(37,433)	(269)
Interest paid on long-term debt	(123,315)	(189,476)
Net cash used by capital and related financing activities	(160,748)	(189,745)
Net increase in cash and cash equivalents	4,087,117	155,136
Cash and cash equivalents, beginning of year	233,913	78,777
Cash and cash equivalents, end of year	$ 4,321,030	$ 233,913

Continued

Consolidated Statements of Cash Flows, Continued
for the years ended September 30, 2020 and 2019

	2020	2019
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents	$ 4,321,030	$ 233,913
Total cash and cash equivalents	$ 4,321,030	$ 233,913
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	$(448,629)	$(685,840)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	202,311	191,666
Provision for bad debts	922,252	1,179,715
Changes in:		
Patient accounts receivable	(957,449)	(1,295,252)
Supplies	(4,238)	6,303
Estimated third-party payor settlements	(90,888)	(41,877)
Other current assets	40,608	-
Deferred outflows of resources	(38,100)	37,197
Accounts payable	79,491	(128,448)
Accrued expenses	(87,671)	183,505
Medicare advance payments	565,816	-
Net pension liability	105,221	(370,915)
Deferred inflows of resources	(157,395)	194,386
Net cash provided (used) by operating activities	$ 131,329	$(729,560)

Supplemental disclosures of cash flow information:

- The Board entered into capital lease obligations of approximately $183,000 for new equipment in 2020.
- Purchases of capital assets in accounts payable as of September 30, 2020 and 2019 was approximately $39,000 and $-0-, respectively.
- See Note 1 for information related to the agreement with UABHS and donation for capital projects.

The accompanying notes are integral parts of these financial statements.

1. Summary of Significant Accounting Policies

Reporting entity. J. Paul Jones Hospital (Hospital) is a not-for-profit organization operated by the J. Paul Jones Hospital Board (Board), a city/county board organized under Title 22, Section 189 of the Code of Alabama 1940 and continued as such under Code of Alabama 1975, § 22-21-1. The J. Paul Jones Hospital and Board are considered governmental entities. The 21 functioning bed hospital provides hospital service, physical therapy service, and ambulatory care to the City of Camden, Alabama and surrounding Wilcox County. The Board has a management agreement with MedCare Emergency Medical Services, Inc. (EMS) to operate the ambulatory care services.

The Wilcox Community Health Foundation, Inc. (Foundation) was incorporated on December 6, 1988 and has a fiscal year end of December 31. Because of the existence of common directors and other factors, the Foundation is presented as a discretely presented component unit in the Board's financial statements, whereby the balance sheet and the statement of activities are separately presented in the accompanying financial statements.

The Foundation is a not-for-profit organization that reports under Financial Accounting Standards Board (FASB) standards, including Topic 958. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) standards.

The Hospital, the Board, EMS and the Foundation are collectively referred to as the "Board" throughout the notes to the consolidated financial statements.

Affiliation and Management Agreement. Effective February 1, 2018, the Board and UAB Health System (UABHS) entered into an Initial Affiliation and Management Agreement. UABHS is engaged in the management of health care delivery operations for the Board of Trustees of the University of Alabama on behalf of the University of Alabama at Birmingham (the UA Board).

Under the Initial Affiliation Agreement, the parties agree that the Board will amend its organization documents, as necessary, to permit the appointment of two members to the Board's board of directors who are representatives of UABHS, selected by UABHS. The agreement commenced on February 1, 2018, and will terminate on January 31, 2021 (the Initial Term), provided however, that in the event the Management Agreement terminates prior to January 31, 2021, the Initial Affiliation Agreement shall automatically terminate on the date that the termination of the Management Agreement is effective. Unless otherwise terminated pursuant to the preceding sentence, this Agreement shall be renewed from year to year after the Initial Term unless either party gives written notice of a desire to modify, amend, or terminate the Agreement at least 90 days, but not more than 120 days, prior to the end of the then-current term or renewal period.

Under the Management Agreement, UABHS shall perform general management services to the Authority which shall involve assessing the Board's business operations, providing advice and recommendations on how to improve those operations, and other services including assisting in preparing budgets, quarterly assessments of the operating and financial performance, providing oversight and direction for the CEO and CFO, and improving and updating its compliance program. The management services are subject to an annual management fee in an amount equal to the greater of $25,000 or 25% of the Board's net income (as defined by the agreement). The total fee

Continued

1. Summary of Significant Accounting Policies, Continued

Affiliation and Management Agreement, continued. for fiscal year 2020 totaled $445,238. In lieu of payment of the full amount, UABHS has agreed to a payment of $222,619 (50%). The other 50% shall be reserved for future capital projects. The agreement commenced on February 1, 2018, with initial term ending on January 31, 2021, subject to automatic annual renewals and written notifications similar to those in the Initial Affiliation Agreement noted above. The Board elected to renew the agreement under these terms.

Use of estimates. The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise fund accounting. The Board uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The Board prepares its consolidated financial statements as a business-type activity in conformity with applicable pronouncements of the GASB.

Cash and cash equivalents. Cash and cash equivalents include demand deposits and money market accounts held at financial institutions.

Allowance for doubtful accounts. The Board provides an allowance for doubtful accounts based on an evaluation of the overall collectability of the accounts receivable. As accounts are known to be uncollectible, the accounts are charged against the allowance.

Supplies. Supplies are stated at the lower of cost or market value, using the first-in, first-out method.

Capital assets. Capital assets are those assets with an initial, individual cost of $5,000 and an estimated useful life in excess of one year. Capital assets are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful life is assigned using AHA Useful Lives Guidelines listed below. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Land improvements	15 to 20 Years
Buildings and improvements	20 to 40 Years
Equipment	3 to 7 Years

Continued

1. Summary of Significant Accounting Policies, Continued

Compensated absences. The Board's eligible employees earn vacation days at varying rates depending on years of service. Employees may accumulate a maximum of 35 vacation days. Unused days over the maximum are forfeited. Upon resignation, an employee can receive a payout of up to 20 days of unused vacation provided certain criteria are met. The estimated payable is reported in accrued expenses on the balance sheet for both 2020 and 2019. Upon termination of employment, employees will not be compensated for any unused vacation days.

Eligible full-time employees are given twelve personal days per year, which may be taken in eight-hour increments. Personal days not used by the end of the year are forfeited.

Unearned revenue. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. CARES Act advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 15 for additional information.

Net position. Net position of the Board is classified into two components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets reduced by liabilities and deferred inflows of resources related to those assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Board. *Unrestricted net position* is the remaining net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of *net investment in capital assets*.

Net patient service revenue. The Board has agreements with third-party payors that provide for payments to the Board at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care. The Board provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Board does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Operating revenues and expenses. The Board's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Board's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Continued

1. Summary of Significant Accounting Policies, Continued

Grants and contributions. From time to time, the Board receives grants from various state agencies as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. See Note 15 for additional information regarding CARES Act funding.

Income taxes. The Board is a governmental entity and is exempt from income taxes. Accordingly, no provision for income taxes has been considered in the accompanying consolidated financial statements.

The Foundation is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Foundation applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Foundation only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management’s evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of December 31, 2020 and 2019 or for the years then ended. The Foundation’s tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of these returns.

Restricted resources. When the Board has both restricted and unrestricted resources available to finance a particular program, it is the Board’s policy to use restricted resources before unrestricted resources.

Deferred outflows of resources. Deferred outflows of resources consist of amounts related to the defined benefit pension plan of approximately $243,000 and $205,000 at September 30, 2020 and 2019, respectively. See Note 9 for additional information.

Continued

1. Summary of Significant Accounting Policies, Continued

Deferred inflows of resources. Deferred inflows of resources consist of amounts related to the defined benefit pension plan of approximately $476,000 and $634,000 at September 30, 2020 and 2019, respectively. See Note 9 for additional information.

The Board receives the proceeds of certain ad valorem tax revenues. The proceeds of taxes such as those received by the Board (referred to as imposed nonexchange revenue transactions) are recorded as deferred inflows of resources by the recipient when an enforceable legal claim to the resources exists or the resources are received, whichever is first, and as revenue by the recipient in the period for which taxes are levied.

The property taxes are levied by Wilcox County on the Board's behalf on September 30th and are intended to support the Board's activities. Amounts are levied on assessed property values as of the preceding October 1st. Property taxes are considered delinquent on the day following each payment due date. The property taxes are collected and used in the fiscal year following the levy and are, therefore, deferred at year-end. Wilcox County designated 3 mils to the Board during fiscal years 2020 and 2019.

Risk management. The Board is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded commercial coverage in any of the three preceding years. See Note 12 for additional information related to the Board's general and professional coverage.

Impairment of long-lived assets. The Board evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Board has not recorded any impairment charges in the accompanying consolidated statements of revenues, expenses and changes in net position for the years ended September 30, 2020 and 2019.

Fair value measurements. GASB Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. GASB 72 also establishes a hierarchy of inputs to valuation techniques used to measure fair value. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. GASB 72 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

Continued

1. Summary of Significant Accounting Policies, Continued

Fair value measurements, continued.

- *Level 2:* Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

- *Level 3:* Unobservable inputs for an asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension items and pension expense, information about the fiduciary net position of the defined benefit plan and additions to or deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounting pronouncement not yet adopted. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 84 is effective for fiscal years beginning after December 15, 2019, with GASB 95 deferral. The Authority is currently evaluating the impact GASB 84 will have on its consolidated financial statements.

2. Net Patient Service Revenue

The Board has arrangements with third-party payors that provide for payments to the Board at amounts different from its established rates. The Board does not believe that there are any significant credit risks associated with receivables due from third-party payors.

Revenue from the Medicare and Medicaid programs accounted for approximately 34% and 16%, respectively, of the Board's net patient service revenue for the year ended 2020 and 33% and 17%, respectively, of the Board's net patient service revenue for the year ended 2019. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Board believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. While no such regulatory inquiries have

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2. Net Patient Service Revenue, Continued

been made to date, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

A summary of the payment arrangements with major third-party payors follows:

- *Medicare.* Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

  The Board is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Board and audits thereof by the Medicare Administrative Contractor (MAC). The Board’s classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Board. The Board’s Medicare cost reports have been audited by the MAC through September 30, 2016.

- *Medicaid.* The Hospital Funding Program governs Medicaid payments. For public hospitals, the Hospital Funding Program utilizes federal funds derived from disproportionate share hospital (DSH) payments to provide inpatient and outpatient payments.

  Hospitals receive quarterly DSH payments during the state fiscal year, base per diem payments for inpatient services, and outpatient payments based on the Medicaid fee schedule maintained by the Medicaid agency. These payments are determined and provided by the Alabama Medicaid Agency. The Alabama Medicaid Agency claims the maximum allowable DSH amount from the federal government and distributes these funds to hospitals based on a hospital’s share of statewide uncompensated care.

  DSH transactions are considered interim payments by the Centers for Medicare and Medicaid Services (CMS), the federal agency responsible for managing states’ Medicaid programs. The Alabama Medicaid Agency is required to conduct reconciliations of DSH payments to hospitals with actual cost incurred by the hospitals. At year end, this reconciliation process was in progress for SFY 2017. Based on these reconciliations, the State of Alabama, through the Medicaid Agency, is responsible for any excess funds claimed above allowed amounts or unclaimed funds below allowed amounts from CMS. If the reconciliation shows the cost incurred for all public hospitals is more than the total DSH payments received, no individual hospital adjustment will be made; however, if the cost incurred for all public hospitals is less than the total DSH payments received, each individual hospital will be required to reimburse its pro rata share of payments received for the difference noted. During 2020, there were no audit findings requiring reimbursement from public hospitals.

Continued

2. Net Patient Service Revenue, Continued

- *Blue Cross.* Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. Outpatient services rendered to Blue Cross subscribers are reimbursed using Enhanced Ambulatory Patient Grouping (EAPG). EAPG groups procedures and medical visits sharing similar characteristics and resource utilization, and generates payments based on a multiple of average resource utilization (determined by the EAPG model) and the provider base rate.

- *Other Arrangements.* The Board has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Board under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

3. Uncompensated Services

The Board was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2020 and 2019 were approximately $4,726,000 and $5,643,000, respectively.

Uncompensated care includes charity and indigent care services of approximately $27,000 and $14,000 in 2020 and 2019, respectively. The cost of charity and indigent care services provided during 2020 and 2019 were approximately $16,000 and $7,000, respectively, computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2020 and 2019:

	2020	2019
Gross patient charges	$ 9,025,377	$ 9,829,997
Uncompensated services:		
Indigent and charity care	27,322	14,448
Other allowances	3,776,884	4,448,874
Bad debts	922,252	1,179,715
Total uncompensated care	4,726,458	5,643,037
Net patient service revenue	$ 4,298,919	$ 4,186,960

Continued

4. Cash and Cash Equivalents

The Board's cash and cash equivalents are carried at cost, which approximates fair value. Cash and cash equivalents as of September 30, 2020 and 2019 are classified in the accompanying consolidated financial statements as follows:

	2020	2019
Balance sheets:		
Cash and cash equivalents	$ 4,098,411	$ 233,913
Restricted for capital projects	222,619	-
Total	$ 4,321,030	$ 233,913
Deposits consist of the following:		
Deposits with financial institutions	$ 4,313,570	$ 226,455
Money market accounts	7,460	7,458
Total	$ 4,321,030	$ 233,913

The carrying amount of the Foundation's cash as of December 31, 2020 and 2019 is classified in the accompanying financial statements as follows:

	2020	2019
Balance sheets:		
Cash	$ 79,254	$ 79,717
Total	$ 79,254	$ 79,717

At September 30, 2020 and 2019, the Board's deposits were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by the financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. The Foundation's deposits are excluded from the SAFE Program as they are not public funds. However, the Foundation's deposits do not exceed the $250,000 FDIC limit and are therefore insured in full.

Continued

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Board at September 30, 2020 and 2019 consisted of these amounts:

	2020	2019
Patient accounts receivable:		
Receivable from patients and their insurance carriers	$ 2,607,238	$ 3,143,373
Receivable from Medicare	456,267	295,847
Receivable from Medicaid	195,543	258,866
Total patient accounts receivable	3,259,048	3,698,086
Less allowance for uncollectible amounts and contractual adjustments	2,757,597	3,231,832
Patient accounts receivable, net	$ 501,451	$ 466,254
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	$ 223,272	$ 203,700
Payable to suppliers	185,569	66,919
Other	291,783	168,823
Total accounts payable and accrued expenses	$ 700,624	$ 439,442

Continued

6. Capital Assets

Capital asset changes for the years ended September 30, 2020 and 2019 were as follows:

	2019	Additions	Retirements	Transfers	2020
Land	$ 31,425	$ -	$ -	$ -	$ 31,425
Construction-in-progress	-	33,270	-	-	33,270
Total capital assets not being depreciated	31,425	33,270	-	-	64,695
Buildings and improvements	2,283,128	5,480	(326)	-	2,288,282
Equipment	2,368,912	221,134	(300,104)	-	2,289,942
Total capital assets being depreciated	4,652,040	226,614	(300,430)	-	4,578,224
Less accumulated depreciation and amortization for:					
Buildings and improvements	(1,210,704)	(44,393)	326	-	(1,254,771)
Equipment	(2,106,512)	(157,918)	298,861	-	(1,965,569)
Total accumulated depreciation	(3,317,216)	(202,311)	299,187	-	(3,220,340)
Capital assets being depreciated, net	1,334,824	24,303	(1,243)	-	1,357,884
Total capital assets, net	$ 1,366,249	$ 57,573	$(1,243)	$ -	$ 1,422,579

Continued

6. Capital Assets, Continued

	2018	Additions	Retirements	Transfers	2019
Land	$ 31,425	$ -	$ -	$ -	$ 31,425
Buildings and improvements	2,283,128	-	-	-	2,283,128
Equipment	2,368,643	269	-	-	2,368,912
Total capital assets being depreciated	4,651,771	269	-	-	4,652,040
Less accumulated depreciation and amortization for:					
Buildings and improvements	(1,167,065)	(43,639)	-	-	(1,210,704)
Equipment	(1,958,485)	(148,027)	-	-	(2,106,512)
Total accumulated depreciation	(3,125,550)	(191,666)	-	-	(3,317,216)
Capital assets being depreciated, net	1,526,221	(191,397)	-	-	1,334,824
Total capital assets, net	$ 1,557,646	$(191,397)	$ -	$ -	$ 1,366,249

At September 30, 2020, the Board had no material construction contracts.

7. Short-Term Debt

In November 2018, the Board entered into a line-of-credit agreement with Community Neighbor Bank for a maximum amount of $100,000 bearing interest at 4.90% with a maturity date of August 13, 2019 and collateralized by real estate. The balance was paid in full during 2019.

A summary of short-term debt at September 30, 2019 and 2018 follows:

	2018	Additions	Reductions	2019
Operating line-of-credit:				
Community Neighbor Bank	$ -	$ 100,000	$ 100,000	$ -

Continued

8. Long-Term Debt

A summary of long-term debt at September 30, 2020 and 2019 follows:

	2020	2019
Note payable with Alabama Tombigbee Regional Commission (Commission) bearing interest at 4.00%, payable in monthly installments of $1,018, interest included, due July 2027, secured by assets of the Hospital.	$ 71,240	$ 80,334
Note payable with the Commission bearing interest at 4.00%, payable in one installment, interest included, due February 2021, secured by real estate.	90,000	90,000
Note payable with the U.S. Department of Agriculture bearing interest at 4.00%, payable in annual installments of the lessor of current balance of $3,267, secured by a pledge of MedCare's revenue. Paid in full during 2020.	-	3,132
Note payable under the Paycheck Protection Program bearing interest at 1.00%, due May 2022.	466,840	-
Note payable under the Paycheck Protection Program bearing interest at 1.00%, due May 2022.	57,575	-
Capital lease obligations collateralized by the leased equipment.	193,009	133,225
Total long-term debt	878,664	306,691
Less current installments of long-term debt and capital lease obligations	224,396	116,930
Long-term and capital lease obligations, net of current maturities	$ 654,268	$ 189,761

Continued

8. Long-Term Debt, Continued

A summary of changes in the Board's long-term debt for September 30, 2020 and 2019 follows:

	2019	Additions	Reductions	2020	Amounts Due Within One Year
Direct borrowing:					
Notes payable	$ 173,466	$ 524,415	$ 12,230	$ 685,651	$ 167,757
Capital leases	133,225	183,103	123,315	193,013	56,639
Total long-term debt	$ 306,691	$ 707,518	$ 135,545	$ 878,664	$ 224,396

	2018	Additions	Reductions	2019	Amounts Due Within One Year
Direct borrowing:					
Notes payable	$ 181,144	$ 5,799	$ 13,477	$ 173,466	$ 7,430
Capital leases	322,701	-	189,476	133,225	109,500
Total long-term debt	$ 503,845	$ 5,799	$ 202,953	$ 306,691	$ 116,930

On May 7, 2020, the Hospital received loan proceeds in the amount of $466,840 and on May 8, 2020, EMS received loan proceeds in the amount of $57,575 under the Paycheck Protection Program (PPP). The PPP, established as part of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first ten months after the covered period. The Board believes its use of the proceeds is consistent with the PPP and has applied for forgiveness. The Board will recognize any forgiveness of the loan at the time the Board is legally released from the debt. On January 15, 2021, the Board received loan forgiveness in the amount of $525,415 from SBA. On March 18, 2021, the Board received loan proceeds in the amount of $516,287 under the second round Paycheck Protection Program. While the Board currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, no assurances can be provided.

The notes payable contain a provision that in a continuing event of default, outstanding obligations may become immediately due and payable.

Continued

8. Long-Term Debt, Continued

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending	Direct Borrowing		Capital Lease Obligations	
September 30	Principal	Interest	Principal	Interest
2021	$ 167,757	$ 9,663	$ 56,639	$ 12,762
2022	465,978	4,070	34,484	10,079
2023	10,254	1,957	37,466	7,096
2024	10,672	1,539	40,786	3,776
2025	11,107	1,104	23,638	552
2026-2027	19,883	836	-	-
Total	$ 685,651	$ 19,169	$ 193,013	$ 34,265

9. Defined Benefit Plan

Pensions. The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

General Information about the Pension Plan

Plan description. The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

(1) The Governor, ex officio.
(2) The State Treasurer, ex officio.
(3) The State Personnel Director, ex officio.

Continued

9. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Plan description, continued.

(4) The State Director of Finance, ex officio.
(5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
(6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  b. Two vested active state employees.
  c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Continued

9. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Benefits provided, continued. Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 and 93,986 participants as of September 30, 2020 and 2019, respectively. As of September 30, 2020 and 2019, membership consisted of:

	2020	2019
Retirees and beneficiaries currently receiving benefits	28,672	25,871
Terminated employees entitled, to, but not yet receiving benefits	1,974	1,794
Terminated employees not entitled to a benefit	14,133	11,001
Active members	56,369	55,222
Post-DROP participants who are still in active service	97	98
Total	101,245	93,986

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Continued

9. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Contributions, continued. Employers participating in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 were not required by statue to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the years ended September 30, 2020 and 2019, the Board’s active employee contribution rate was 8.59% and 6.85% of covered employee payroll, and the Board’s average contribution rate to fund the normal and accrued liability costs was 2.86% and 3.35% of pensionable payroll, respectively.

Board’s contractually required contribution rate for the years ended September 30, 2020 and 2019, was 3.41% and 3.87% of pensionable pay for Tier 1 employees, and 2.90% and 3.61% of pensionable pay for Tier 2 employees, respectively. These required contribution rates are based upon the actuarial valuation as of September 30, 2017 and 2016, respectively, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board was approximately $69,000 and $81,000 for the years ended September 30, 2020 and 2019, respectively.

Continued

9. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Net pension liability. The Board's net pension liability as of September 30, 2020 and 2019 was measured as of September 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability as of September 30, 2020 and 2019, was determined by an actuarial valuation as September 30, 2018 and 2017, rolled forward to September 30, 2019 and 2018, respectively, using standard roll-forward techniques as shown in the following tables:

		Expected	Actual
(a)	TPL as of September 30, 2018	$ 8,082,128	$ 7,829,000
(b)	Discount rate	7.70%	7.70%
(c)	Entry age normal cost for the period October 1, 2018 - September 30, 2019	194,827	194,827
(d)	Transfers among employers	-	(68,120)
(e)	Actual benefit payments and refunds for the period October 1, 2018 - September 30, 2019	(351,831)	(351,831)
(f)	TPL as of September 30, 2019 = [(a) x (1+b)] + (c) + (d) + [(e) x (1+.05*(b))]	$ 8,533,902	$ 8,193,163
(g)	Difference between expected and actual		$(340,739)
(h)	Less liability transferred for immediate recognition		(68,120)
(i)	Experience (gain) / loss = (g) - (h), September 30, 2019		$(272,619)

Continued

9. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Net pension liability, continued.

		Expected	Actual	Actual
(a)	TPL as of September 30, 2017	$ 7,854,835	$ 7,605,445	$ 7,645,587
(b)	Discount rate	7.75%	7.75%	7.70%
(c)	Entry age normal cost for the period October 1, 2017 - September 30, 2018	213,484	213,484	215,153
(d)	Transfers among employers	-	(38,410)	(38,410)
(e)	Actual benefit payments and refunds for the period October 1, 2017 - September 30, 2018	(316,719)	(316,719)	(316,719)
(f)	TPL as of September 30, 2018 = [(a) x (1+b)] + (c) + (d) + [(e) x (1+.05*(b))]	$ 8,348,077	$ 8,040,949	$ 8,082,128
(g)	Difference between expected and actual		$(307,128)	
(h)	Less liability transferred for immediate recognition		(38,410)	
(i)	Experience (gain) / loss = (g) - (h), September 30, 2018		$(268,718)	
(j)	Difference between actual at 7.70% and actual 7.75% [assumptions change (gain/loss]: September 30, 2018			$ 41,179

Actuarial assumptions. The total pension liability as of September 30, 2019 and 2018, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018 and 2017, respectively. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

* Net of pension plan investment expense.

Continued

9. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Actuarial assumptions, continued. Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2018 and 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17%	4.40%
U.S. Large Stocks	32%	8.00%
U.S. Mid Stocks	9%	10.00%
U.S. Small Stocks	4%	11.00%
Int'l Developed Mkt Stocks	12%	9.50%
Int'l Emerging Mkt Stocks	3%	11.00%
Alternatives	10%	10.10%
Real Estate	10%	7.50%
Cash Equivalents	3%	1.50%
Total	100%	

* Includes assumed rate of inflation of 2.50%.

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Continued

9. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Changes in net pension liability.

	Total Pensions Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2017	$ 7,854,835	$ 7,455,246	$ 399,589
Changes recognized for the year:			
Service cost	213,484	-	213,484
Interest	596,477	-	596,477
Changes of assumptions	41,179	-	41,179
Difference between expected and actual experience	(268,718)	-	(268,718)
Contributions from the employer	-	101,932	(101,932)
Contributions from the employees	-	165,501	(165,501)
Net investment income	-	685,904	(685,904)
Benefit payments, including refunds of employee contributions	(316,719)	(316,719)	-
Transfers among employers	(38,410)	(38,410)	-
Net changes	227,293	598,208	(370,915)
Balances at September 30, 2018	8,082,128	8,053,454	28,674
Changes recognized for the year:			
Service cost	194,827	-	194,827
Interest	608,778	-	608,778
Difference between expected and actual experience	(272,619)	-	(272,619)
Contributions from the employer	-	72,779	(72,779)
Contributions from the employees	-	148,736	(148,736)
Net investment income	-	204,250	(204,250)
Benefit payments, including refunds of employee contributions	(351,831)	(351,831)	-
Transfers among employers	(68,120)	(68,120)	-
Net changes	111,035	5,814	105,221
Balances at September 30, 2019	$ 8,193,163	$ 8,059,268	$ 133,895

Continued

9. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the Board's net pension liability calculated using the discount rate of 7.70%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate (dollar amounts in thousands):

	As of September 30, 2020		
	1% Decrease 6.70%	Current Rate 7.70%	1% Increase 8.70%
Net pension liability (asset)	$ 997,908	$ 133,895	$(601,123)

	As of September 30, 2019		
	1% Decrease 6.75%	Current Rate 7.75%	1% Increase 8.75%
Net pension liability (asset)	$ 936,075	$ 28,674	$(742,918)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position as of September 30, 2020 and 2019 is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019 and in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018, respectively. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019 and 2018, respectively. The auditor's report dated August 27, 2020 and September 17, 2019, respectively, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at www.rsa-al.gov.

Continued

9. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the years ended September 30, 2020 and 2019, the Board recognized pension income of approximately $90,000 and $139,000, respectively. At September 30, 2020 and 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	2020		2019	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 23,966	$ 476,282	$ 41,083	$ 371,274
Change in assumptions	58,676	-	90,782	-
Net differences between projected and actual earnings on plan investments	99,175	-	-	262,403
Employer contributions subsequent to the measurement date	60,927	-	72,779	-
Total	$ 242,744	$ 476,282	$ 204,644	$ 633,677

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year.

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending September 30:	(Increase) Decrease to Expense
2021	$ 137,431
2022	132,006
2023	66,656
2024	(41,628)
Total	$ 294,465

Continued

10. Medicaid Subsidies

In addition to receiving payments from Medicaid for services to hospital patients, the Board also receives disproportionate share payments and access payments from Medicaid. The net funds received by the Board amounted to approximately $797,000 and $461,000 for the years ended September 30, 2020 and 2019, respectively, and are included in the accompanying consolidated financial statements as net patient service revenue.

11. Employee Health Insurance

The Board purchased health insurance coverage for employees under which monthly premiums are paid to Blue Cross Blue Shield. Blue Cross Blue Shield is then responsible for payment of all claims. Total expenses relative to these plans were approximately $158,000 and $141,000 for September 30, 2020 and 2019, respectively.

12. Malpractice Insurance

The Board is covered by a claims made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2020 and 2019 are $1 million per occurrence and $3 million in aggregate.

The Board uses a third-party administrator to review and analyze incidents that may result in a claim against the Board. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim. The Board also uses independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims.

Various claims and assertions have been made against the Board in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been considered for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

13. Commitments and Contingencies

Compliance plan. The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Board has not contracted with an outside firm for an external evaluation of the potential impact of such compliance issues. There can be no assurance that the Board will not be subjected to future investigations with accompanying monetary damages. However, based on an internal evaluation, management believes that the ultimate liability resulting from potential noncompliance will not have a material adverse effect on the consolidated financial statements.

Continued

13. Commitments and Contingencies, Continued

Health care reform. There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Board.

Litigation. The Board is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Board's future financial position or results from operations. See malpractice insurance disclosures in Note 12.

14. Concentrations of Credit Risk

The Board grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2020 and 2019, was as follows:

	2020	2019
Medicare	14%	8%
Medicaid	6%	7%
Other third-party payors	10%	11%
Self-pay	70%	74%
Total	100%	100%

15. Coronavirus (COVID-19)

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the Board's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and impact on the Board's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Board's financial position or results of operations is uncertain.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors

15. Coronavirus (COVID-19), Continued

open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. Grant and contribution advance payments are reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as nonoperating revenues in the consolidated statements of revenues, expenses and changes in net position. The Board received approximately $2,472,000 and recognized approximately $1,183,000 in grant stimulus funding in fiscal year 2020.

CARES Act funding may be subject to audits. While the Board currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility payments could be recouped based on changes in reporting requirements or audit results.

The CARES Act also expanded the existing Medicare Accelerated and Advance Payment Program by allowing qualifying providers to receive an advanced Medicare payment. The advance payment will have to be repaid. Recoupment begins one year after the date of receipt of the advance payment. After that first year, Medicare will automatically recoup 25 percent of Medicare payments otherwise owed to the Board for eleven months. At the end of the eleven-month period, recoupment will increase to 50 percent for another six months. If the total amount of advance payment has not been recouped during this time-period (a total of 29 months), CMS will issue a letter requiring repayment of any outstanding balance, subject to an interest rate of four percent. In April 2020, the Board received approximately $566,000 in advanced payments.

The Board has received the following program funding:

- $30 Billion General Distribution (1st round) - On April 10, 2020, HHS distributed $30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare fee-for-service payments. The Board received $112,000 in funding from this distribution.

- $10 Billion Rural Distribution - On May 6, 2020, HHS distributed $10 billion to almost 4,000 rural health care providers including hospitals, health clinics, and health centers. The Board received approximately $2,177,000 in funding from this distribution.

- $225 Million for COVID-19 Testing - On May 20, 2020, HHS distributed $225 million to over 4,500 rural health clinics (RHCs) based on a fixed payment of $49,461 per RHC. The Board received approximately $99,000 in funding from this distribution.

- Alabama Small Rural Hospital Improvement Program (SHIP) Grant - In April 2020, the Alabama Hospital Association announced that the Health Resources and Services Administration's (HRSA) Federal Office of Rural Health Policy received $180 million to support COVID-19 related activities, of which nearly $150 million will go to hospitals responding to the health crisis through the SHIP grant mechanism. The Board received approximately $83,000 in funding from this distribution.

Continued

15. Coronavirus (COVID-19), Continued

In addition, the CARES Act did the following:

- Sequestration - Suspended the Medicare sequestration payment adjustment, which reduces payments to providers by 2%, for the period May 1, 2020 through December 31, 2020, and extended to December 31, 2021 with subsequent legislation.

- Medicare Add-on for Inpatient Hospital COVID-19 Patients - Increased the Medicare payment for hospital patients admitted with COVID-19 by 20%.

REQUIRED SUPPLEMENTARY INFORMATION

J. PAUL JONES HOSPITAL BOARD

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
September 30, 2020, 2019, 2018, 2017, 2016 and 2015

	2020	2019	2018	2017	2016	2015
Total pension liability:						
Service cost	$ 194,827	$ 213,484	$ 220,268	$ 209,924	$ 208,384	$ 185,798
Interest cost	608,778	596,477	578,409	543,350	515,591	486,992
Differences between expected and actual experiences	(272,619)	(268,718)	(206,400)	92,434	(97,756)	-
Changes of assumptions	-	41,179	-	129,773	-	-
Benefits payments, including refunds of employee contributions	(351,831)	(316,719)	(321,457)	(286,561)	(271,902)	(358,710)
Transfers among employers	(68,120)	(38,410)	(40,059)	-	-	-
Net change in total pension liability	111,035	227,293	230,761	688,920	354,317	314,080
Total pension liability (beginning)	8,082,128	7,854,835	7,624,074	6,935,154	6,580,837	6,266,757
Total pension liability (ending)	8,193,163	8,082,128	7,854,835	7,624,074	6,935,154	6,580,837
Plan fiduciary net position:						
Contributions - employer	72,779	101,932	120,677	144,991	119,348	109,332
Contributions - employees	148,736	165,501	181,305	179,410	190,014	152,945
Net investment income	204,250	685,904	849,603	614,302	70,282	637,809
Benefit payments, including refunds of employee contributions	(351,831)	(316,719)	(321,457)	(286,561)	(271,902)	(358,710)
Transfers among employers	(68,120)	(38,410)	(40,059)	-	-	-
Net change in plan fiduciary net position	5,814	598,208	790,069	652,142	107,742	541,376
Plan fiduciary net position (beginning)	8,053,454	7,455,246	6,665,177	6,013,035	5,905,293	5,363,917
Plan fiduciary net position (ending)	8,059,268	8,053,454	7,455,246	6,665,177	6,013,035	5,905,293
Net pension liability (ending)	$ 133,895	$ 28,674	$ 399,589	$ 958,897	$ 922,119	$ 675,544
Net position as a percentage of pension liability	98.37%	99.65%	94.91%	87.42%	86.70%	89.73%
Covered payroll *	$ 2,171,889	$ 2,524,443	$ 2,633,380	$ 2,309,690	$ 2,255,484	$ 2,039,428
Net pension liability as a percentage of payroll	6.16%	1.14%	15.17%	41.52%	40.88%	33.12%

* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2020 the measurement period is October 1, 2018 - September 30, 2019.

Information to present a 10-year history is not reasonably obtainable.

See independent auditor's report.

J. PAUL JONES HOSPITAL BOARD

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
September 30, 2020, 2019, 2018, 2017, 2016 and 2015

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution *	$ 60,927	$ 72,770	$ 101,932	$ 120,677	$ 144,991	$ 119,348
Contributions made in relation to the actuarially determined contribution *	60,927	72,770	101,932	120,677	144,991	119,348
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll **	$ 2,127,955	$ 2,171,889	$ 2,524,443	$ 2,633,380	$ 2,309,690	$ 2,255,484
Contributions as a percentage of covered payroll	2,86%	3,35%	4.04%	4.58%	6.28%	5.29%

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments: The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

** Employer's covered payroll for fiscal year 2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020:

- Actuarial cost method: Entry age
- Amortization method: Level percent closed
- Remaining amortization period: 9.9 years
- Asset valuation method: Five-year smoothed market
- Inflation: 3.00%
- Salary increases: 3.25% - 5.00% including inflation
- Investment rate of return: 7.75%, net of pension plan investment expense, including inflation.

Information to present a 10-year history is not reasonably obtainable.

See independent auditor’s report.

CONSOLIDATING INFORMATION

J. PAUL JONES HOSPITAL BOARD

CONSOLIDATING BALANCE SHEET
September 30, 2020

	September 30, 2020			
	Hospital	Board	EMS	Total Board
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and cash equivalents	$ 3,927,599	$ 152,703	$ 18,109	$ 4,098,411
Patient accounts receivable, net	501,451	-	-	501,451
Estimated third-party payor settlements	132,765	-	-	132,765
Supplies	88,263	-	-	88,263
Other current assets	440,334	-	-	440,334
Due from related parties	(76,272)	185,000	(108,728)	-
Total current assets	5,014,140	337,703	(90,619)	5,261,224
Noncurrent cash:				
Restricted for capital projects	222,619	-	-	222,619
Capital assets:				
Non-depreciable	37,695	27,000	-	64,695
Depreciable capital assets, net of accumulated depreciation	924,891	420,528	12,465	1,357,884
Total capital assets, net of accumulated depreciation	962,586	447,528	12,465	1,422,579
Deferred outflows of resources:				
Deferred pension outflows	242,744	-	-	242,744
Total assets and deferred outflows of resources	$ 6,442,089	$ 785,231	$(78,154)	$ 7,149,166

Continued

J. PAUL JONES HOSPITAL BOARD

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2020

	September 30, 2020			
	Hospital	Board	EMS	Total Board
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND NET POSITION				
Current liabilities:				
Current maturities of long-term debt and capital lease obligations	$ 156,106	$ -	$ -	$ 156,106
Current maturities of Paycheck Protection Program loans	46,541	-	21,749	68,290
Accounts payable	185,569	-	-	185,569
Accrued expenses	509,084	1,458	4,513	515,055
CARES Act unearned revenue	1,288,680	-	-	1,288,680
Current portion of Medicare advance payments	141,454	-	-	141,454
Total current liabilities	2,327,434	1,458	26,262	2,355,154
Long-term liabilities:				
Long-term debt and capital lease obligations, net of current maturities	198,143	-	-	198,143
Paycheck Protection Program loans, excluding current maturities	420,299	-	35,826	456,125
Medicare advance payments, net of current portion	424,362	-	-	424,362
Net pension liability	133,895	-	-	133,895
Total long-term liabilities	1,176,699	-	35,826	1,212,525
Total liabilities	3,504,133	1,458	62,088	3,567,679
Deferred inflows of resources:				
Deferred property tax revenue	402,720	-	-	402,720
Deferred pension inflows	476,282	-	-	476,282
Total deferred inflows of resources	879,002	-	-	879,002
Total liabilities and deferred inflows of resources	4,383,135	1,458	62,088	4,446,681
Net position:				
Net investment in capital assets	769,577	447,528	12,465	1,229,570
Restricted:				
Expendable - capital projects	222,619	-	-	222,619
Unrestricted	1,066,758	336,245	(152,707)	1,250,296
Total net position	2,058,954	783,773	(140,242)	2,702,485
Total liabilities, deferred inflows of resources and net position	$ 6,442,089	$ 785,231	$(78,154)	$ 7,149,166

See independent auditor’s report.

J. PAUL JONES HOSPITAL BOARD

CONSOLIDATING BALANCE SHEET
September 30, 2019

	September 30, 2019			
	Hospital	Board	EMS	Total Board
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and cash equivalents	$ 129,365	$ 99,452	$ 5,096	$ 233,913
Patient accounts receivable, net	466,254	-	-	466,254
Estimated third-party payor settlements	41,877	-	-	41,877
Supplies	84,025	-	-	84,025
Other current assets	458,395	-	-	458,395
Due from related parties	(145,972)	185,000	(39,028)	-
Total current assets	1,033,944	284,452	(33,932)	1,284,464
Capital assets:				
Non-depreciable	4,425	27,000	-	31,425
Depreciable capital assets, net of accumulated depreciation	881,990	439,321	13,513	1,334,824
Total capital assets, net of accumulated depreciation	886,415	466,321	13,513	1,366,249
Deferred outflows of resources:				
Deferred pension outflows	204,644	-	-	204,644
Total assets and deferred outflows of resources	$ 2,125,003	$ 750,773	$(20,419)	$ 2,855,357

Continued

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2019

	September 30, 2020			
	Hospital	Board	EMS	Total Board
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND NET POSITION				
Current liabilities:				
Current maturities of long-term debt and capital lease obligations	$ 116,930	$ -	$ -	$ 116,930
Accounts payable	66,919	-	-	66,919
Accrued expenses	354,933	1,458	16,132	372,523
Total current liabilities	538,782	1,458	16,132	556,372
Long-term liabilities:				
Long-term debt and capital lease obligations, net of current maturities	186,628	-	3,133	189,761
Net pension liability	28,674	-	-	28,674
Total long-term liabilities	215,302	-	3,133	218,435
Total liabilities	754,084	1,458	19,265	774,807
Deferred inflows of resources:				
Deferred property tax revenue	402,721	-	-	402,721
Deferred pension inflows	633,677	-	-	633,677
Total deferred inflows of resources	1,036,398	-	-	1,036,398
Total liabilities and deferred inflows of resources	1,790,482	1,458	19,265	1,811,205
Net position:				
Net investment in capital assets	753,190	466,321	13,513	1,233,024
Unrestricted	(418,669)	282,994	(53,197)	(188,872)
Total net position	334,521	749,315	(39,684)	1,044,152
Total liabilities, deferred inflows of resources and net position	$ 2,125,003	$ 750,773	$(20,419)	$ 2,855,357

See independent auditor's report.

J. PAUL JONES HOSPITAL BOARD

CONSOLIDATING INCOME STATEMENT
September 30, 2020

	September 30, 2020			
	Hospital	Board	EMS	Total Board
Operating revenues:				
Net patient service revenue (net of provision for bad debts of $1,180,000 in 2019)	$ 4,005,397	$ -	$ 293,522	$ 4,298,919
Other revenue	494,720	103,162	5,320	603,202
Total operating revenues	4,500,117	103,162	298,842	4,902,121
Operating expenses:				
Salaries and wages	2,311,706	-	289,326	2,601,032
Employee benefits	298,794	-	29,743	328,537
Purchased services	1,220,171	2,400	12,000	1,234,571
Supplies	436,015	-	3,948	439,963
Depreciation and amortization	176,990	24,274	1,047	202,311
Other expenses	878,325	42,030	76,803	997,158
Total operating expenses	5,322,001	68,704	412,867	5,803,572
Operating income (loss)	(821,884)	34,458	(114,025)	(901,451)
Nonoperating revenues (expenses):				
Noncapital grants and contributions	50	-	-	50
Tax revenues	1,125,412	-	-	1,125,412
Loss on disposal of capital assets	(1,243)	-	-	(1,243)
Other nonoperating revenues	43,990	-	-	43,990
CARES Act funding	1,169,951	-	13,467	1,183,418
Interest expense	(14,462)	-	-	(14,462)
Total nonoperating revenues	2,323,698	-	13,467	2,337,165
Excess revenues (expenses)	1,501,814	34,458	(100,558)	1,435,714
Capital contributions	222,619	-	-	222,619
Increase in net position	1,724,433	34,458	(100,558)	1,658,333
Net position, beginning of year	334,521	749,315	(39,684)	1,044,152
Net position, end of year	$ 2,058,954	$ 783,773	$(140,242)	$ 2,702,485

See independent auditor's report.

J. PAUL JONES HOSPITAL BOARD

CONSOLIDATING INCOME STATEMENT
September 30, 2019

	September 30, 2019			
	Hospital	Board	EMS	Total Board
Operating revenues:				
Net patient service revenue (net of provision for bad debts of $1,237,000 in 2018)	$ 3,863,398	$ -	$ 323,562	$ 4,186,960
Other revenue	50,045	90,787	92,399	233,231
Total operating revenues	3,913,443	90,787	415,961	4,420,191
Operating expenses:				
Salaries and wages	2,223,396	-	295,096	2,518,492
Employee benefits	249,475	-	32,456	281,931
Purchased services	1,031,607	2,400	6,000	1,040,007
Supplies	346,044	-	-	346,044
Depreciation and amortization	166,591	24,000	1,075	191,666
Other expenses	604,510	40,536	82,845	727,891
Total operating expenses	4,621,623	66,936	417,472	5,106,031
Operating income (loss)	(708,180)	23,851	(1,511)	(685,840)
Nonoperating revenues (expenses):				
Noncapital grants and contributions	86,910	-	-	86,910
Tax revenues	985,464	-	-	985,464
Other nonoperating revenues	79,520	-	-	79,520
Interest expense	(8,141)	-	(6,045)	(14,186)
Total nonoperating revenues	1,143,753	-	(6,045)	1,137,708
Excess revenues (expenses)	435,573	23,851	(7,556)	451,868
Net position, beginning of year	(101,052)	725,464	(32,128)	592,284
Net position, end of year	$ 334,521	$ 749,315	$(39,684)	$ 1,044,152

See independent auditor’s report.

INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION

The Board of Directors
J. Paul Jones Hospital Board
Camden, Alabama

We have audited the consolidated financial statements of the business-type activities and the discretely presented component unit of J. Paul Jones Hospital Board as of and for the years ended September 30, 2020 and 2019, and our report thereon dated November 2, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 through 3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information included in this report on page 48, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

DRAFFIN + TUCKER, LLP

Albany, Georgia
November 2, 2021

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J. PAUL JONES HOSPITAL BOARD

MEMBERS OF THE BOARD OF DIRECTORS (UNAUDITED)
September 30, 2020

Name and Address	Position	Expiration of Term
Dr. Sumpter D. Blackmon P. O. Box 699 Camden, Alabama 36726	Chairman	February 2024
Mr. Hal Huggins TCNB P. O. Box 458 Camden, Alabama 36726	Secretary	January 2022
Sheriff Prince Arnold P. O. Box 1 Oak Hill, Alabama 36766	Member	April 2024
Mr. Eldridge Stewart 210 Ponderosa Drive Camden, Alabama 36726	Member	January 2021
Dr. William R. Phillippi, Jr. 340 Earl Street Camden, Alabama 36726	Member	February 2024
Ms. Jill Smith 2728 Highway 28, West Camden, Alabama 36726	Member	April 2024
Mr. Les Johnson 31 Woodland Drive Camden, Alabama 36726	Member	April 2022
Mr. Ralph Ervin 1455 KP Thomas Road Pine Hill, Alabama 36769	Member	June 2022
Mr. Andre' Saulsberry 322 Edgeview Pl Camden, Alabama 36726	Member	August 2023
Mr. Dawson Smith, MSHA JNWB 414 500 22nd Street, South Birmingham, Alabama 35233	Director Network Development and Affiliations UAB Medicine UAB Health System	

See independent auditor's report on supplemental information.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
J. Paul Jones Hospital Board
Camden, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the business-type activities as of and for the year ended September 30, 2020 and the discretely presented component unit of J. Paul Jones Hospital Board as of and for the year ended December 31, 2020, and the related notes to the consolidated financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control, that we consider to be a material weakness and significant deficiencies.

Continued

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2020-001 through 2020-003 presented in the accompanying Schedule of Findings and Responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2020-004 presented in the accompanying Schedule of Findings and Responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the J. Paul Jones Hospital Board's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

J. Paul Jones Hospital Board's Response to Findings

The Board's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Board's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFFIN + TUCKER, LLP

Albany, Georgia
November 2, 2021

SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2020

(Finding reported in prior year still applicable to fiscal year 2020.)

Material Weakness 2020-001

Condition:	Estimates for accounts receivable allowances were calculated monthly based on the percentage of collections over the past six months applied against the monthly gross revenue instead of the month end gross accounts receivable balance.
Criteria:	The collections percentage used to estimate accounts receivable allowances should be based on history and expectations of reimbursement and applied to the gross accounts receivable balance at month end.
Cause:	The allowance methodology currently utilized does not calculate expected reimbursement on existing accounts receivable.
Effect:	The Board's financial statements could be materially misstated.
Recommendation:	It is recommended that the monthly collections percentage used to estimate the allowances on accounts receivable be applied to the gross accounts receivable balance at month end.
Views of responsible officials and planned corrective actions:	Management concurs with this finding. The chief financial officer of J. Paul Jones Hospital Board has been working to develop an improved methodology and approach to properly estimate the accounts receivable allowances on a monthly basis. It is expected that a new written procedure outlining an adequate treatment of bad debt will be instituted by the end of the third quarter of the current fiscal year.

Continued

(Finding reported in prior year still applicable to fiscal year 2020.)

Material Weakness 2020-002

Condition: Cash, accounts receivable, accrued expenses, net position as well as other balance sheet areas are not reconciled timely to supporting documentation. Variances were identified but not corrected in a timely fashion.

Criteria: A process should be in place to ensure all balance sheet accounts are reconciled completely on a regular basis allowing adequate time for review by the appropriate personnel.

Cause: The Board implemented a new accounting system during fiscal year 2016 which disrupted the normal course of operation within the accounting and business office functions.

Effect: The Board's financial statements could be materially misstated due to errors not detected in a timely manner.

Recommendation: All balance sheet accounts on the general ledger should be accurately reconciled to the appropriate subsidiary ledger and/or supporting documentation and all variances investigated on a regular basis. This control will help ensure the accurate reporting of the Board's financial position and operations.

Views of responsible officials and planned corrective actions: Management concurs with audit findings as of September 30, 2020. Board Policy requires full reconciliation of the balance sheet. A chief financial officer has been hired and part of his duties is to address this weakness. The new CFO will function at the accountant and controller levels to address reconciliations. Progress is currently being made toward a fully reconciled balance sheet.

Continued

(Finding reported in prior year still applicable to fiscal year 2020.)

Material Weakness 2020-003

Condition:	There is a lack of segregation of duties in various processes including the financial reporting, cash, payroll, debt, accounts payable, and journal entry functions.
Criteria:	To ensure appropriate reporting and physical safeguard of assets, certain responsibilities such as authorization, recordkeeping, and custody should be appropriately segregated. In situations where all three elements cannot be adequately segregated, a robust review process should be implemented.
Cause:	Due to the nature of operations, there are not enough personnel to adequately staff all functions creating the need for key personnel to perform tasks outside their normal duties.
Effect:	While no specific misstatements were noted due to segregation issues, the potential for misappropriation exists when appropriate safeguards are not in place.
Recommendation:	It is recommended that a review process of system access be performed to determine which access is necessary to carry out day-to-day activities and limiting access, where possible. Further, it is recommended that an additional review process be implemented at the CEO or board level for areas where segregation is not possible.
Views of responsible officials and planned corrective actions:	Due to staffing constraints, the Board is not able to separate all duties. It is the policy of the Board to ensure appropriate reporting and physical safeguard of assets, and responsibilities segregated where appropriate. A new chief financial officer has been hired in order to facilitate the segregation of duties.

Continued

(Finding reported in prior year still applicable to fiscal year 2020.)

Significant Deficiency 2020-004

Condition:	There is no secondary review of wire-transfers made or manual checks written. The CEO is the sole signer on the operating bank account and is the only person able to place wire-transfers. The corresponding entries for these actions are also made by the CEO with no secondary review.
Criteria:	To ensure appropriate reporting and physical safeguard of assets, certain responsibilities such as authorization, recordkeeping, and custody should be appropriately segregated. In situations where all three elements cannot be adequately segregated, a robust review process should be implemented.
Cause:	Due to the nature of operations, there are not enough personnel to adequately staff all functions creating the need for key personnel to perform tasks outside their normal duties.
Effect:	The Board's financial statements could be materially misstated.
Recommendation:	It is recommended that there is a secondary review of wire transfers made and the associated journal entries, and a secondary review of manual checks written. In addition, we recommend that an additional signer be added to the bank accounts and a policy put in place for review of large dollar manual checks.
Views of responsible officials and planned corrective actions:	Management concurs with this finding as of September 30, 2020. It is the policy of the Board to ensure appropriate reporting and physical safeguard of assets. Management will review internal controls in light of the additional staff and will create procedures to address the weakness discussed here. Currently, the CFO reconciles the bank account providing a review of transactions of the CEO.